

Message Text

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ORIGIN EUR-25

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DRAFTED BY EUR/CE: LHEICHLER:RF

APPROVED BY EUR/CE MR. GEORGE

EUR/P:MR. SAVAGE

EUR/RPM:MR.ROMINE

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FM SECSTATE WASHDC

TO AMEMBASSY BONN PRIORITY

INFO USMISSION NATO PRIORITY

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E.O. 11652: N/A

TAGS: EFIN, GW, NATO

SUBJECT: OFFSET: PRESS BRIEFING

REF: A. USNATO 2253

B. STATE 83904

FOLLOWING ISSUANCE OF AGREED PRESS RELEASE AND UNILATERAL
US "EXPLANATORY NOTE", WE GAVE PRESS BACKGROUND BRIEFING
SHORTLY AFTER NOON WASHINGTON TIME APRIL 25. QUESTION
AND ANSWER WHICH ARE SUBJECT REF A DID NOT ARISE. SHOULD
IT COME UP IN FUTURE DISCUSSIONS WITH PRESS AND OTHERS,
WE WILL USE ANSWER SUGGESTED BY USMISSION NATO. MOST
PERTINENT PORTIONS OF TRANSCRIPT OF 20 MINUTE BRIEFING
FOLLOW:

BEGIN TEXT. Q. MR. HEICHLER, YOU ASKED FOR 3.3 BILLION,
WHICH THEN WAS DESCRIBED AS BEING A HUNDRED PERCENT OF
THE REQUIREMENTS. HOW DID YOU COME DOWN TO 2.2, OR WHAT-
EVER FIGURE IT IS -- 2.2?

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MR. HEICHLER: THE 3.3 BILLION DOLLAR FIGURE YOU MENTIONED IS A GROSS FIGURE -- AN ESTIMATE OF GROSS MILITARY EXPENDITURES IN THE FEDERAL REPUBLIC OF GERMANY OVER THE TWO FISCAL YEARS IN QUESTION. WE VIEW THE NEW OFFSET AGREEMENT IN THE BROADER FRAMEWORK OF NATO-WIDE BURDEN SHARING, AND PARTICULARLY THE REQUIREMENTS OF THE JACKSON-

NUNN AMENDMENT -- WHICH CALLS UPON OUR ALLIES TO OFFSET OUR NATO-RELATED MILITARY EXPENDITURES IN EUROPE, ENTERING THE BALANCE OF PAYMENTS IN FISCAL YEAR 1974.

NOW, THE 3.3 BILLION DOLLAR FIGURE INCLUDES EXPENDITURES NOT RELATED DIRECTLY TO OUR TREATY COMMITMENTS AND OBLIGATIONS, AS SPELLED OUT IN THE LANGUAGE OF THE JACKSON-NUNN AMENDMENT.

WE VIEW THE GERMAN OFFSET AS A PORTION, ALBEIT A HIGHLY SIGNIFICANT ONE, OF TOTAL ALLIED CONTRIBUTIONS -- WHICH SHOULD ENABLE US TO SATISFY THE CONDITIONS IMPOSED BY THE JACKSON-NUNN AMENDMENT.

Q. CAN I GO BACK TO THE JACKSON-NUNN? DO I UNDERSTAND YOU CORRECTLY THAT THIS AGREEMENT FOR THIS DURATION WILL MAKE THE ADMINISTRATION IMMUNE FROM ANY CONGRESSIONAL ACTION INVOLVING APPROPRIATIONS FOR U.S. TROOPS IN EUROPE? IN OTHER WORDS, NO MATTER WHAT THE SENATE WOULD OR WOULDN'T DO, THE LEVEL OF AMERICAN TROOPS IN EUROPE COULD REMAIN RELATIVELY CONSTANT WITH THIS OFFSET AGREEMENT?

A. WE HOPE AND EXPECT THAT WITH THIS AGREEMENT AND WITH CONTRIBUTIONS WE ANTICIPATE FROM OUR OTHER ALLIES IN EUROPE, WE WILL HAVE NO DIFFICULTY IN SATISFYING THE REQUIREMENTS OF THE JACKSON-NUNN AMENDMENT. WE ARE WORKING CLOSELY AND IN CONTINUOUS CONSULTATION WITH OUR ALLIES, REFINING FURTHER AND FURTHER THE ESTIMATES OF CONTRIBUTIONS FROM THESE OTHER ALLIES; AND WE'RE MAKING SATISFACTORY PROGRESS IN THAT DIRECTION.

Q. BUT YOU CAN'T PUT A TARGET DATE ON IT?
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A. I CAN'T PUT A TARGET DATE ON IT.

Q. WELL, WHAT IS THE AMOUNT?

A. I WOULD PREFER NOT TO MENTION A SPECIFIC AMOUNT.

Q. IS IT FAIR TO DRAW THE INFERENCE FROM WHAT YOU SAY

THAT THE OTHER NATO WILL BE MAINLY IN THE FIELD OF
MILITARY PROCUREMENT?

A. YES, IT IS.

Q. MR. HEICHLER, JUST TO BRING US UP TO DATE, ISN'T IT
SO THAT THIS AGREEMENT, BECAUSE OF THE REVALUATIONS AND
DEVALUATIONS, PROVIDES LESS MARKS AND MORE DOLLARS;
THERE'S NO REAL DISAGREEMENT?

A. YES, MR. BINDER, THAT IS CORRECT. IT PROVIDES LESS
MARKS AND MORE DOLLARS.

Q. MR. HEICHLER, IT HAS BEEN ARGUED THAT THE PURCHASE OF
TREASURY SECURITIES IS NOT REALLY A GOOD METHOD OF OFFSET
BECAUSE THESE HAVE TO BE REDEEMED EVENTUALLY. I SEE THIS
IS A FAIRLY HIGH PROPORTION OF THE TOTAL -- OH, NO, IT
ISN'T; I BEG YOUR PARDON. BUT, STILL, COULD YOU EXPLAIN
THAT FOR US? WASN'T IT AT ONE TIME THOUGHT THAT PERHAPS
THIS CATEGORY WOULD BE ELIMINATED ENTIRELY?

A. WELL, LET ME SAY, QUITE FRANKLY, THAT OF COURSE WE
WOULD HAVE PREFERRED, HAD IT BEEN POSSIBLE, TO OBTAIN AN
AGREEMENT CONSISTING ENTIRELY OF WHAT WE HAVE CALLED
"HARD OFFSET." AT THE SAME TIME, IF MY MEMORY DOES
NOT FAIL ME, PRACTICALLY EVERY PREVIOUS US-FRG OFFSET
AGREEMENT HAS PROVIDED FOR GERMAN PURCHASE OF SPECIAL
U.S. GOVERNMENT SECURITIES AT BELOW MARKET RATES OF
INTEREST. IT IS CORRECT THAT EVENTUALLY, OF COURSE, THE
SECURITIES WILL BE REDEEMED. HOWEVER, THE TERMS AND
CONDITIONS OF THE LOAN, OF THE PURCHASE OF THESE TREASURY
SECURITIES, ARE SO FAVORABLE AS TO YIELD VERY SIGNIFICANT
ECONOMIC BENEFITS IN SUBSIDIZED INTEREST SAVINGS. WE
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THEREFORE DECIDED, AS IN THE PAST, TO COUNT THE FACE VALUE
OF THE LOAN AS PART OF THE OFFSET.

Q. WHAT IS THE 3.3 FIGURE? YOU ARE SAYING THAT IT
INCLUDES ELEMENTS WHICH ARE NOT CONNECTED WITH NATO.
WHAT IS IT?

A. IT IS AN ESTIMATE DEVELOPED BY THE DEPARTMENT OF
DEFENSE COMPTROLLER -- AND ONLY AN ESTIMATE, BECAUSE,
OBVIOUSLY, ACTUAL AMOUNTS WON'T BE KNOWN UNTIL MUCH
LATER -- OF WHAT IT WILL COST, IN BALANCE OF PAYMENTS
TERMS, TO MAINTAIN OUR FORCES IN THE FEDERAL REPUBLIC OF
GERMANY DURING FISCAL YEARS 1974 AND 1975, REGARDLESS OF
WHETHER THEIR FUNCTION IS SPECIFICALLY RELATED TO OUR
NATO COMMITMENTS AND OBLIGATIONS OR NOT. IT IS A GROSS

FIGURE, AND IT IS AN ESTIMATE. END TEXT. KISSINGER

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